

**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on Tuesday 17th November 2020 at 8.00 a.m.**

Present: Mr Karl Banister, Mr Geoffrey Bowley, Mrs Susan Martineau, Mr Hugh Stafford-Smith, Mrs Sarah Ediss

Apologies: N/A

In attendance: Mr Dominic Blythe (RSM), Mr Ian Dumbleton, Mr Dan Lodge (Principal), Mr Chris Rising (MHA MacIntyre Hudson), Ms Nicola Whitehead (Clerk)

In the Chair: Mr Hugh Stafford-Smith

The Chair welcomed Mrs Martineau to her first meeting of the Audit Committee.

1. Declaration of interests

There were no declarations of interests.

2. Minutes of the meeting held on 24th June 2020 were approved.

3. Matters arising

Item 3: The Finance Director reported that the College had contacted 286 suppliers concerning GDPR of whom 242 had replied. Of the remainder, the majority had not been dealt with in the past two years or had gone out of business. Two were being contacted in a final chase but lack of assurance received would mean they would no longer receive orders from the College.

Item 4: The Clerk reported that the annex had been circulated following the meeting and a further sector update was included within the draft AFR.

Item 5: Mr Rising confirmed that all revisions to the 2019/20 reports and the forward plan had been actioned as requested.

Item 11: The Clerk reported that the Chair of the F&GP Committee would be joining the meeting at c. 8.45 a.m. for agenda item 7 to help with F&GP's complementary discussion of the Report and Financial Statements later in the day.

4. Internal Audit reports:

Paper: Annual report: Internal Audit Service 2019-20

Mr Rising reported that, in the Head of Audit's opinion, based on the work undertaken over the year, the College could have confidence in the adequacy and effective management of the College's control and governance processes. All but one audit review had given substantial assurance and, in respect of the ILR, only 2 recommendations in such a complex area was a positive outcome. Whilst not directly covered, there were no issues identified in terms of risk or governance. All but one of the recommendations from the 2019/20 reports had been completed (as had all from previous years) with one action outstanding owing largely to the challenges of working during lockdown. There were no issues or areas of significant weakness in controls which would need to be covered in the annual governance statement. The outcomes and trends were positive in terms of the College maintaining a

strong control environment. In response to questions, Mr Rising confirmed that the one item still in progress concerned DBS checks and that the audit work had, as envisaged, amounted to fifteen days. *(Action: MHA to make minor amendments to the final report.)* He thanked the College for their support in the audits especially when in lockdown.

[Mr Banister joined the meeting.]

5. Risk Management update

Paper: Minutes of the Risk Management meeting 9th November 2020; Potential External Strategic Level Risks November 20 update; Risk Assessment and Controls College Wide 20-21 update

The Principal introduced discussions explaining that the Risk Management Group (RMG) had recently met (attended by two members of the Committee) to review the external strategic risk register and College Wide risks with each member of staff also updating their underlying risk management plans. Early coverage in the early Summer risk review in response to Covid meant however that there had been no massive changes in the risks identified.

In examining the **potential external strategic level risks**, members noted the following updates:

- i. There had, after all, been a **very limited impact on student recruitment in 2020 from increased competition** in the local area;
- ii. Preparation was in hand for a **further bid in the CIF Round** which had just been launched (later than usual) with a deadline in mid-January. News was still awaited on the College's 'T' level capital bid (TLCF);
- iii. The College had been able to offer **alternative IT courses in the absence of the new Digital 'T' level** going ahead as well as complementary subjects such as Maths. Engineering was also being considered as an addition to the curriculum. *(Action: Principal to consider reflecting these contingencies in the next update).* The greater risk remained to the potential Government defunding of BTEC courses;
- iv. With regard to **Covid**, there had been an impact on international recruitment and adaptation required in relation to admissions interviews and induction. The **dedicated reopening risk assessment** had been approved twice by governors and arrangements clearly communicated to staff, students and parents via e-mail and the College website;
- v. **Staff recruitment** had been successfully completed during lockdown, largely through online interviews. Applications to recent posts had been healthy;
- vi. **Development of blended learning** over the previous months meant that the College was in a good position should a further full lockdown be required. At Collyer's there had been few cases of Covid and limited impact on the wider student community from self-isolation requirements;
- vii. The impact on workloads of dealing with appeals against the **exam results** decided by the DfE algorithm and the aftermath. Members congratulated the team on their handling of the understandable anxieties and the College's **very robust centre assessed grades grades** (with only 2 of c. 2000 having required amendment).

Turning to the **College-wide risks**, members asked about:

- viii. the scale of issues with poor student behaviour, noting that some limited problems had arisen with the 2018 intake. At the current time however, attendance and progress were

very positive with students well motivated to engage with blended learning and be well prepared for exams (or their alternative) in the summer;

- ix. Outside software contracts to ensure that source codes were held in the event of company failure. **(Action: Principal to circulate response)**. The Chair believed the College's strong policy of using *de facto* best of breed software such as Microsoft which provided significant security. Large contractors such as CINTRA would generally store their codes with escrow as standard practice. One area where the College might be more vulnerable was in its own in-house MyProgress system but this was backed up as safeguard.

Members thanked the Principal for the reminder of the underlying process for the benefit of newer members and the comprehensive update.

6. Financial Statements Audit

Papers: Letters of representation, draft Audit Findings Report (AFR), Regularity SAQ; Report and Financial Statements (RFS) year ended 31st July 2020;

a) Audit Findings Report

Mr Blythe confirmed that with regard to the key risks identified at the planning stage:

- i) The **AFR reflected a smooth audit**. The only outstanding actions concerned keeping up-to-date with any developments before signing, particularly in connection with going concern and post balance sheet events;
- ii) **No issues with income recognition**: RSM had concurred with the treatment of Mercer grants whilst proposing that the unspent funds be treated as restricted given their specific purpose;
- iii) **Pensions assumptions** were reasonable (though now in a liability position in common with the sector having been an asset in recent years);
- iv) The College's conclusion of **Going concern** appeared reasonable subject to the outstanding conclusion from the standard procedures. The College was in a relatively strong position in the sector whilst recognising there were no grounds for complacency. An additional statement was being added to the accounts and a final RSM review would be undertaken by someone independent of the core team;

Other matters arising during the course of the audit included:

- v) A question arising in respect of the treatment of assets with a nil net book value but still in use; and of
- vi) Exam credits received post year-end but related to 19/20 in terms of accruals accounting;
- vii) A proposal for additional clarity on procurement policy in the Financial regulations **(Action: Finance Director reporting to F&GP)**;
- viii) Ongoing need to have a second check of journals. No irregularities were identified but lockdown had presented challenges to the internal checks **(Carry forward as a matter arising)**;
- ix) Identification of a potentially undeclared interest which had however been found to be owing to an inaccurate record at Companies House.
- x) Acknowledgement that the audit had been equally challenging for both parties in being handled remotely but nonetheless constructively.

Members asked questions in respect of the unspent Mercers' grants and any software used for data analytics. The latter was seen as something to be considered for the future when the additional complications of lockdown were resolved. **(Action: Finance Director/ RSM)** There was further exploration of the issues raised to ensure understanding of procedures and any further actions. For example, the College's policy on conflict of interests was clear but members agreed a reminder from the Clerk on the responsibility of governors to consider checks e.g. with Companies House to avoid similar issue arising in the future. **(Action: Clerk)**

Members agreed there was considerable assurance in the report from RSM and the emerging issues report (across the sector) useful notice of areas to watch. Final questions were asked concerning the possibly erroneous AFR reference to the membership of the Governing Body in the SOCG **(Action: RSM; Postscript - Removed)** and the (proportionate) materiality measure used in the **financial statements**.

The Chair thanked Mr Blythe for his report and asked that the Committee's thanks be passed to Connie Coles and that RSM find a replacement of similar calibre. Members noted the intention to identify a replacement following the current round of year-end audits.

b) College's Regularity Self-Assessment Questionnaire (SAQ)

Members commented as follows, requesting sight of a final draft **(Action: Finance Director)**:

- i) Proposing that the SAQ reflect the comments in the AFR concerning fixed assets (p.10) and procurement (p.14);
- ii) Some formatting/typographical issues to be addressed and additional evidence reference under the safeguarding of assets (pps 9/10);

c) Report and Financial Statements

The co-optee and trustee proposed that the Collyer Endowment should be included in the list of stakeholders on page 8 **(Action: RSM/ Finance Director; Postscript- Added to final draft)**. Clarity was also sought in relation to Trade Union facility time as a percentage of paybill.

Recommendation: that the Governing Body approve the Audit Findings Report (including Letters of Representation), Regularity SAQ and Report and Financial Statements subject to any comments from F&GP (and the amendments identified).

7. Audit Committee Annual Report to the Governing Body

Paper: Audit Committee Annual Report to the Governing Body 2019-20

The Clerk noted that a small number of amendments would be necessary to reflect the discussion that day, most notably in relation to the internal Audit Annual Report and RSM's Audit Findings report. She had provided more detail in the SOCG in response to the Accounts Direction, but some matters had seemed more appropriate to this report. MHA commented that the transparency was laudable but possibly more detailed than necessary. Crucial was inclusion of the overall opinion on assurance. A query was raised in relation to a reference to the refined coverage of the Staff Development internal audit report. **(Action: Clerk to circulate revised draft to Committee members prior to submission to the Governing Body).**

Recommendation: That the Governing Body approve at its next meeting the Audit Committee Annual Report subject to the amendments identified.

8. **Any other business:** Mr Blythe explained the reasons for a change in the Letter of Engagement. For Collyer's these were not significant but reflected the tripartite terms (see appendix) in relation to regularity to be in line with ESFA standard. The liability section had also been agreed directly with the ESFA.

Recommendation: That the Chair of the Governing Body sign the Letter of Engagement on the College's behalf.

9. **Meeting assessment**

Members thanked the Clerk for the return to hard copy papers where preferred. The F&GP Chair thanked the Committee for her invitation. She had found the discussion informative ahead of the F&GP's consideration of the Financial statements. The Committee was keen to continue such exchange with other committee members (*Action ongoing: Clerk.*) and were pleased also to have had both auditors present.

Finally, the Chair thanked Mr Bowley for his 8-year service to the Committee where his understanding of the technical aspects of the Committee's work and the wider College environment had been invaluable in contributing to the Committee's work on assurance. The College was pleased however to be continuing to benefit from his experience as a Trustee to the Collyer Endowment.

10. **Date of the next meeting: Tuesday 2nd March 2020 at 08.00.**

The meeting ended at 9.45

Chair.....

Date.....

NCW 29/11/19